

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6306**

**BILL NUMBER:** HB 1183

**NOTE PREPARED:** Mar 24, 2011

**BILL AMENDED:** Mar 24, 2011

**SUBJECT:** Indiana Business Price Preferences.

**FIRST AUTHOR:** Rep. Dermody

**FIRST SPONSOR:** Sen. Charbonneau

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *State Price Preference:* The bill provides an additional preference for purchases made by a state agency for supplies manufactured, assembled, grown, or produced by an Indiana business in Indiana. It deletes a provision specifying that the Indiana price preferences are ignored in certain circumstances if an offeror is from a state bordering Indiana.

*Political Subdivision Price Preference:* The bill provides a price preference to local Indiana businesses bidding on purchasing and public works contracts awarded by political subdivisions.

*Commission on Military and Veteran's Affairs:* It requires the Commission on Military and Veterans' Affairs to study veterans' procurement preferences.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** (Revised) *Price Preferences:* The bill may add to the purchase price of supplies by requiring the Department of Administration (DOA) to adopt rules or guidelines to provide an additional preference for the purchase of supplies manufactured, assembled, grown, or produced in Indiana. The bill may also increase the cost of certain supplies by applying the existing Indiana business price preference in certain circumstances where it does not currently apply.

*Commission on Military and Veteran's Affairs:* The bill will have no fiscal impact as the result of the Commission on Military and Veteran's Affairs studying and issuing a final report before November 1, 2011, to the Legislative Council concerning veteran's procurement preferences. The Commission is to work with the Indiana Department of Administration. [The Commission on Military and Veteran's Affairs is staffed by

LSA and is comprised of 12 members. During the 2010 interim, the Commission met twice.]

(Revised) Background: Currently, there is a price preference given for supplies purchased from an Indiana business, ranging from 1% to 5% based on the expected purchase dollar amount. The price preference does not apply if only Indiana businesses respond with offers, or when the offeror is a business located in another state that has preferences which do not exceed Indiana's. These exceptions to the price preferences would be removed under the bill.

In addition to the existing price preferences, under the bill, a price preference ranging from 1% to 3% based on the expected purchase dollar amount would be available if the supplies are manufactured, assembled, grown, or produced in Indiana.

In some cases, identifying where a product is manufactured may be complicated by manufacturers not providing the percentage of parts used by geographic origin and frequently changing the mix (by geographic origin) of the parts used in manufacture. The DOA would adopt guidelines to determine when supplies are manufactured or assembled in Indiana.

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Political Subdivision Price Preference:* The bill also provides a price preference for political subdivisions that purchase supplies from a local Indiana business that varies between 1% and 5%.

(Revised) Background: Under the bill, a local Indiana business is one that is located in the affected counties (the county and counties adjacent to the political subdivision purchasing supplies or public works), and pays the majority of its payroll to or the majority of its employees are residents of the affected counties, makes significant capital investments in the affected counties, or has a positive economic impact on the affected counties. A local Indiana business must claim the preference in its bid and provide documentation to establish it as a local Indiana business.

#### **Explanation of Local Revenues:**

**State Agencies Affected:** DOA.

**Local Agencies Affected:** Governmental bodies adopting an agricultural product price preference.

**Information Sources:** <http://www.in.gov/idoa/2467.htm>

**Fiscal Analyst:** Karen Firestone, 317-234-2106.